

# Foreword

The evaluation of Information Technology (IT) and its business value is the subject of many academic and business discussions. The many publications in journals and the many seminars and conferences on this subject suggest a continued and actual interest.

There are reasons for this extensive interest: IT is increasingly becoming crucial to achieve organizational and strategic goals for businesses and government agencies. Investments in IT are also never ceasing to grow, and business managers worry about the fact that the benefits of these investments might not be as high as initially expected. Researchers and practitioners like to call this phenomenon the “IT Investment Paradox” or the “IT Black Hole.” Large sums are invested in IT that seem to be swallowed by a large black hole without rendering many returns.

As we enter the new millennium, the Internet-based way of doing business and the emerging E-business projects and systems make it even worse. Numerous publications reveal that E-business projects are failing to deliver the expected benefits and even go bankrupt. Because of the intangible nature of some of the E-business benefits, it is difficult to measure the contribution of E-business initiatives to business performance and to manage these projects to ensure that real profits are realized. Moreover, E-business projects are often managed too technically and little attention is paid to the business case. An example is the Belgian online grocery store *Ready.be* that used its Web storefront to take customers’ orders (Van Grembergen & Amelinckx, 2001). It relied heavily on manual processes to fulfill the orders. In less than 2 years this dot.com enterprise set up a centralized warehouse and 50 points of distribution where customers could pick up their purchases they made through the Internet. Besides this, *Ready.be* renewed its web site three times and even started a WAP (Wireless Application Protocol) project that would allow customers to mail their shopping list via their mobile phone. In 2000 the losses of *Ready.be* amounted to 12 million Euro and the online grocery had to stop its business. This mini case shows clearly that E-business projects are to be evaluated and monitored and that each E-business initiative needs a well-defined business

case (what are the benefits and what are the costs?). In this grocery case, proper evaluation and monitoring could easily have shown that too many costs were made that could be avoided by just using the existing warehouses and shops of their traditional grocery chain and by not starting the WAP project yet (this pervasive computing project was clearly technically driven). It is clear that the deployment of an evaluation/monitoring instrument could have overcome the described problem.

Over the years, many evaluation and monitoring instruments have been suggested. The traditional methods focus on financial measures that have long been known: the Return On Investment (ROI), the Net Present Value (NPV), the Internal Rate of Return (IRR) and the simple but popular Payback time. Apart from this purely financial appraisal, the multi-criteria methods such as Information Economics and the Balanced Scorecard are the best known methods (Berghout & Renkema, 2001).

One of the best known multi-criteria methods is *Information Economics* (Parker, 1996). In essence, the information economics method is a scoring technique incorporating an enhanced return on investment appraisal and intangibles representing business and IT values and risks such as level of strategic match, business strategy risk, compliance with strategic IT architecture, and technical risk. More recently, the concept of the *Balanced Scorecard*, introduced by Kaplan and Norton (1996), has been applied to information technology (Van Grembergen & Saull, 2001). The fundamental premise is that the evaluation of an IT department should not be restricted to a traditional financial evaluation but should be supplemented with measures concerning business contribution, user satisfaction, operational excellence and the ability to innovate. Typical measures for the nonfinancial perspectives are an index capturing the level of partnership with users, measures of IT process maturity, and measures for emerging technologies research.

This new publication (IRM Press) of Idea Group Publishing brings together some papers on *IT Evaluation Methods and Management* recently presented at the IRMA-conferences.

## REFERENCES

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